

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF )  
DELMARVA POWER & LIGHT COMPANY TO )  
REVISE THE UTILITY FACILITY RELOCATION )  
CHARGE ("UFRC") RATE TO RECOVER COSTS )  
ASSOCIATED WITH THE RELOCATION OF GAS ) PSC DOCKET NO. 16-1084  
UTILITY FACILITIES PURSUANT TO )  
26 DEL. C. § 315 )  
(FILED NOVEMBER 29, 2016) )  
(AMENDED DECEMBER 6, 2016) )

IN THE MATTER OF THE APPLICATION OF )  
DELMARVA POWER & LIGHT COMPANY TO )  
REVISE THE UTILITY FACILITY RELOCATION )  
CHARGE ("UFRC") RATE TO RECOVER COSTS ) PSC DOCKET NO. 17-0402  
ASSOCIATED WITH THE RELOCATION OF GAS )  
UTILITY FACILITIES PURSUANT TO )  
26 DEL. C. § 315 )  
(FILED May 31, 2017) )

**ORDER NO. 9313**

**AND NOW**, this 20<sup>th</sup> day of December 2018, the Delaware Public Service Commission ("Commission") determines and orders the following:

**WHEREAS**, under the provisions of 26 Del. C. § 315, electric and natural gas utilities may calculate and collect a "Utility Facility Relocation Charge" ("UFRC Rate"), allowing it to begin recovering depreciation expenses and a return on capital invested in "eligible utility facility relocations" put into service between rate cases; and

**WHEREAS**, under the statutory scheme, a particular natural gas utility's UFRC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible relocations put into

service within the preceding six months. See 26 Del. C. §§ 315(c) and 314(b)-(d);<sup>1</sup> and

**WHEREAS**, on November 29, 2016, Delmarva Power & Light Company ("Delmarva") filed an application in Docket No. 16-1084 to reset its UFRC Rate to 0.13% effective January 1, 2017; and

**WHEREAS**, on December 6, 2016, Delmarva filed an amendment to its application revising the UFRC Rate to 0.05%. This UFRC Rate was based on net plant additions of \$1,685,022 placed into service between May 1, 2016 and October 31, 2016, along with an associated semi-annual depreciation expense of \$7,275; and

**WHEREAS**, on December 20, 2016, the Commission adopted Order No. 9010, which opened Docket No. 16-1084 and approved Delmarva's application to reset its UFRC Rate to 0.05% effective January 1, 2017, subject to Commission Staff's ("Staff") annual review, audit, and reconciliation; and

**WHEREAS**, on May 31, 2017, Delmarva filed an application in Docket No. 17-0402 to reset its UFRC Rate to 0.33% effective July 1, 2017. This increase was based on net additional plant of \$3,702,647 placed into service between November 1, 2016 and April 30, 2017, along with an associated semi-annual depreciation expense of \$10,780; and

**WHEREAS**, on June 20, 2017, the Commission adopted Order No. 9080, which opened Docket No. 17-0402 and approved Delmarva's

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<sup>1</sup>The Commission explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

application to reset its UFRC Rate to 0.33% effective July 1, 2017, subject to Staff's annual review, audit, and reconciliation; and

**WHEREAS**, On February 7, 2018, Staff sent a letter to the companies utilizing the UFRC, notifying them of a potential error in their calculation of their pre-tax rate of return; and

**WHEREAS**, during the audit and review of Docket Nos. 16-1084 and 17-0402, Delmarva submitted schedules showing adjustments made due to the correction to the pre-tax rate of return utilized in the UFRC Rate calculation. These adjustments lowered the semi-annual UFRC revenue requirement which resulted in increased over-collection amounts for each UFRC period for both Docket Nos. 16-1084 and 17-0402; and

**WHEREAS**, in August 2018, Staff began conducting a review and audit of Delmarva's UFRC components and calculations contained in Docket No. 16-1084. Aside from the pre-tax rate of return, Staff found that the numbers were in compliance with the Delaware Code and the UFRCC Rate which the Commission previously approved in Order No. 9010. Specifically, Staff found that: (i) Delmarva's overall rate of return did not exceed its authorized overall rate of return; (ii) Delmarva collected \$30,846 in UFRC revenues for Docket No. 16-1084, which resulted in an over-collection of \$6,727 of the semi-annual UFRC revenue requirement for this period; (iii) the plant portion of Delmarva's UFRC calculation was accurate; and (iv) Delmarva's calculation of total depreciation agreed with its general ledger; and

**WHEREAS,** Staff found that the annual reconciliation for Docket No. 16-1084 produced a total over-collection of \$6,727 for the period January 1, 2017 - June 30, 2017; and

**WHEREAS,** based on Staff's audit of the additional plant claimed by Delmarva in Docket No. 16-1084 and the revenues collected by Delmarva under this UFRC Rate, Staff recommends that Delmarva's UFRC Rate of 0.05% for January 1, 2017 through June 30, 2017, be approved as final; and

**WHEREAS,** Staff recommends that the Commission formally close Docket No. 16-1084; and

**WHEREAS,** in August 2018, Staff also began conducting an audit of Delmarva's UFRC components and calculations contained in Docket No. 17-0402. Aside from the pre-tax rate of return, Staff found that: (i) Delmarva had not updated its Capital Structure to what was approved in the Company's most recent base rate case, PSC Docket No. 16-0650, in Order No. 9049; (ii) Delmarva's overall rate of return did not exceed its last authorized overall rate of return; (iii) the plant portion of Delmarva's UFRC calculation was accurate; and (iv) Delmarva had also not updated its depreciation rates to the new depreciation rates approved by the Commission in its last base rate case, PSC Docket No. 16-0650, in Order No. 9049; and

**WHEREAS,** at the request of Staff, Delmarva provided updated schedules utilizing the correct capital structure. This resulted in further adjustment to the semi-annual UFRC revenue requirement; and

**WHEREAS,** Staff made adjustments to Delmarva's UFRC Rate calculation schedules utilizing Delmarva's new depreciation rates and determined that the semi-annual depreciation expense related to the plant additions should have been \$5,270; and

**WHEREAS,** the adjusted semi-annual UFRC revenue requirement for Docket 17-0402 was \$25,032. Delmarva collected \$51,928 in UFRC revenues which was resulted in an over-collection of \$26,896 of the semi-annual UFRC revenue requirement for this period; and

**WHEREAS,** Staff found that the annual reconciliation for Docket Nos. 16-1084 and 17-0402 produced a total over-collection of \$33,623 for the 12-month period ending December 31, 2017. This over-collection will be reconciled, with interest, for a total amount of \$35,390 in Delmarva's pending Distribution System Improvement Charge Rate application in Docket No. 18-1254; and

**WHEREAS,** based on Staff's audit of the additional plant claimed by Delmarva in Docket No. 17-0402 and the revenues collected by Delmarva under this UFRC Rate, Staff recommends that Delmarva's UFRC Rate of 0.33% for July 1, 2017 through December 31, 2017, be approved as final; and

**WHEREAS,** Staff further recommends that the Commission formally close Docket No. 17-0402; and

**WHEREAS,** Staff additionally reports that it has shared its findings with Delmarva and the Delaware Division of the Public Advocate;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE  
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. § 315, the Commission hereby approves Delmarva's 2017 UFRC Rate of 0.05% (effective January 1, 2017 through June 30, 2017) as previously allowed to go into effect in Order No. 9010 (December 20, 2016) and Delmarva's 2017 UFRC Rate of 0.33% (effective July 1, 2017 through December 31, 2017) as previously allowed to go into effect in Order No. 9080 (June 20, 2017).

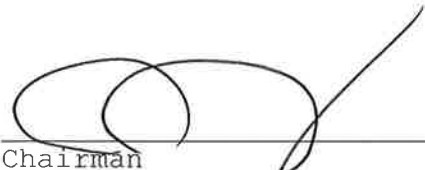
2. The amount of \$35,390, representing the over-collection plus interest, will be reconciled in Delmarva's current pending Distribution System Improvement Charge Rate application in PSC Docket No. 18-1254.


3. Nothing in this Order shall preclude the examination and challenge of Delmarva's claims in any base rate proceeding.

4. The annual audit of the filings made in PSC Docket Nos. 16-1084 and 17-0402 are concluded, and these dockets are hereby closed.

5. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.


**BY ORDER OF THE COMMISSION:**

  
Chairman

  
Commissioner

  
Commissioner

  
Commissioner

  
Commissioner

ATTEST:

  
Secretary

